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ENGLISH

APPROVAL OF UNCDF ASSISTANCE TO A PROJECT OF BOLIVIA

IPF: (1987-1991) $9 800 000
(BOL/90/C01) - PRODEM Microenterprise Support Project

Date of approval by the AC:[1]	10 July 1991
Expected duration:	Three years
Proposed co-operating agency:	Government Foundation of Microenterprise Development (PRODEM)
Government implementing agency:	Ministry of Planning and Co-ordination
Proposed UNCDF contribution:	$2 263 300
Proposed PRODEM budget:	$45 500
Source of funds:	UNCDF general resources/IPF
Total project budget:	$2 308 800

Project Background

Sixty-two percent of Bolivia's economically active population is employed in the informal sector, composed primarily of urban as well as rural microenterprises. The deterioration of Bolivia's economic situation in the early 1980's led to a significant increase in the percentage of the population who are dependent on the informal sector for their livelihood. Despite the lack of security and low income associated with jobs in this sector, its dynamism has come to be recognized as a potentially important source of growth as the Government of Bolivia begins to emphasize the role of the private sector in the country's development.

PRODEM is a non-profit, non-governmental organization founded in 1986 to provide financial services, including loans and savings facilities, to microenterprises in Bolivia's major cities. PRODEM has provided (US $13 million in loans to over 34,000 microenterprises in La Paz, El Alto, Santa Cruz and Cochabamba during its four years of operations. By using solidarity groups to guarantee the loans, PRODEM has achieved a nearly 100 percent repayment record, confirmed through independent audits. Because of its success, it has been able to attract investors for the establishment of a commercial, for-profit bank, BANCOSOL, to serve the microenterprise sector.

Description of project

The project will seek to: (a) replicate the microlending programme developed by PRODEM in the secondary city of Oruro through the introduction of a microenterprise working capital loan program. (In Oruro's department the closure of several state-owned mines in the 1980's

[1] This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

increased by at least 10,000 the number of people working in the informal sector which employs by now over 45 percent of the active population.); and (b) expand the existing program in El Alto, a large suburb of La Paz, in order to provide clients with larger and longer-term loans for capital investment and offering voluntary savings facilities.

In particular, UNCDF's support will enable PRODEM to provide short-term loans of $60 to $300 to over 5,000 microentrepreneurs in solidarity groups in Oruro over a period of 30 months, and larger longer-term loans ($100 to $1,500 for a maximum of five years) for tools and equipment to approximately 800 borrowers over nine months in El Alto. This second category of loans will only be available to existing PRODEM clients in good standing. In addition, a voluntary savings program offering flexible deposit facilities will be established in El Alto.

This project will directly relate to two of the main areas of concentration envisaged in the new UNDP Country Programme for Bolivia, specifically: development of small- and medium-scale private investment and small credit.

Inputs

UNCDF will provide through a sub-contract with PRODEM, a revolving credit fund in Oruro of (US) $798,627 for working capital loans as well as related PRODEM start-up support costs of (US) $401,373, El Alto a revolving credit fund of (US) $597,713 for investment capital loans as well as related PRODEM start up support costs of (US) $187,287, and the establishment of an appropriate management information system for the savings programme of (US) $35,000.

Support start-up costs will include staff, office rent and utilities, transportation (including a 4-wheel drive vehicle), computers and other office equipment, and training for both programmes in Oruro and El Alto.

PRODEM will pay for the ongoing salary and office rental costs of the El Alto component (investment capital loans and voluntary savings) for the three years of the UNCDF project. UNCDF will fund directly formulation, monitoring, evaluation and regular audit missions.

Financial data

UNCDF Contribution	$
Missions	101 000
Subcontract PRODEM	1 985 000
Contingencies (5%)	104 300
Program Support	73 010
Total	2 263 310
PRODEM Contribution	
Salaries and premises (El Alto)	45 500
Grand total	2 308 800

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